

EXHIBIT 38

Part C

This endorsement modifies insurance provided by the following:

CONTRACTORS BUSINESS OWNERS POLICY – Section I – Optional Coverages
BUSINESS OWNERS POLICY – Section I – Additional Coverages
GARAGE BUSINESS OWNERS PROPERTY FORM – Section I – Additional Coverages

BO-7411
(Ed. 2-01)

CIVIL AUTHORITY AMENDMENT ENDORSEMENT

The **Civil Authority** provisions contained in this policy are replaced by the following:

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

The coverage for necessary Extra Expense will begin immediately after the time of that action and ends:

- (1)** 3 consecutive weeks after the time of that action; or
- (2)** When your Business Income coverage ends;

whichever is later.

This endorsement modifies insurance provided under the following:

**DELUXE BUSINESS OWNERS POLICY
GARAGE BUSINESS OWNERS PROPERTY FORM
CONTRACTOR'S BUSINESS OWNERS POLICY**

**BO-7433
(Ed. 8-02)**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NUCLEAR HAZARD EXCLUSION AMENDMENT

The **Nuclear Hazard Exclusion** under **Section I B. 1. d.** is replaced by the following:

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

This endorsement modifies insurance provided under the following:

**BASIC BUSINESS OWNERS POLICY
DELUXE BUSINESS OWNERS POLICY
CONTRACTOR'S BUSINESS OWNERS POLICY
SPECIAL BUSINESS OWNERS POLICY
GARAGE BUSINESS OWNERS PROPERTY FORM**

**BO-7436
(Ed. 11-02)**

**EXCLUSION OF ACTS OF BIOLOGICAL OR CHEMICAL TERRORISM; CAP ON
LOSSES FROM CERTIFIED ACTS OF TERRORISM;
COVERAGE FOR CERTAIN FIRE LOSSES**

The following provisions are added to **Section I – Property Coverage**:

A. The following definitions are added with respect to the provisions of this endorsement:

1. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "certified act of terrorism" include the following:

- a. The act resulted in aggregate losses in excess of \$5 million; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

2. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified act of terrorism", when such act resulted in aggregate losses of \$5 million or less.

B. The following exclusion is added:

EXCLUSION OF AN "OTHER ACT OF TERRORISM"

We will not pay for loss or damage caused directly or indirectly by an "other act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion applies only when one or both of the following are attributed to such act:

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

C. Exception Covering Certain Fire Losses

If an "other act of terrorism" results in fire, we will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. Therefore, for example, the exception does not apply to insurance provided under Business Income and/or Extra Expense Additional Coverages.

D. Cap On Certified Terrorism Losses

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

E. Application Of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Form or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

This endorsement applies to all coverages provided by the following including any forms or endorsements attached thereto:

**BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY
DELUXE GARAGE OWNERS POLICY**

IL-7131
(Ed. 4-98)

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

- I. The following exclusion applies to SECTION I - Property Coverage:
 - A. We will not pay for loss ("loss") or damage caused directly or indirectly by the following. Such loss ("loss") or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss ("loss") or damage.
 1. The failure, malfunction, inability or inadequacy of:
 - a. Any of the following, whether belonging to any insured or to others:
 - (1) Computer hardware, including microprocessors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system;
 - (6) Telecommunications equipment; or
 - (7) Any other computerized or electronic equipment or components; or
 - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph I.A.1.a. of this endorsement;
 - which is in any way related to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.
 2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph I.A.1. of this endorsement.
 - B. If your policy includes the following coverages and an excluded loss ("loss") as described in Paragraph I.A. of this endorsement results in a:
 1. Covered Cause of Loss as defined under your Systems Breakdown Endorsement, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;
 2. Covered Cause of Loss as defined under your Basic Business Owners Policy, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;
 3. "Specified Cause of Loss" as defined, or in elevator collision resulting from mechanical breakdown, under your Deluxe Business Owners Policy, Contractors Business Owners Policy or Deluxe Garage Owners Policy, we will pay only for the loss ("loss") or damage caused by such "Specified Cause of Loss" or elevator collision;

we will pay for resulting or ensuing loss ("loss") under Paragraph I.B. of this endorsement only if the resulting or ensuing loss ("loss") is physical injury to tangible property.
 - C. We will not pay for repair, replacement or modification of any items in Paragraphs I.A.1.a. and I.A.1.b. of this endorsement to correct any deficiencies or change any features.
- II. This endorsement applies to all coverages provided by this policy including all forms and endorsements attached thereto.

ST-7316
(Ed. 8-02)

IMPORTANT CHANGE NUCLEAR HAZARD EXCLUSION

Your policy contains an exclusion under the property section for loss or damage caused directly or indirectly by nuclear reaction or radiation, or radioactive contamination, however caused. But, if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

This represents a change from your expiring policy and it clarifies the coverage that is provided. **Read Your Policy Carefully** to determine the exact extent of your coverage. Contact your agent for information.

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7111
(Ed. 1-89)

**NEW JERSEY CHANGES - AUTO/MOBILE EQUIPMENT
AND NONOWNED WATERCRAFT**

The following is added to Section II - Business Owners Liability Coverage :

1. The definition "Auto" of DEFINITIONS is replaced by the following:

"auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads (including any machinery or apparatus attached thereto), but does not include mobile equipment;

2. The definition "Mobile Equipment" of DEFINITIONS is replaced by the following:

"mobile equipment" means a land vehicle (including any machinery or apparatus attached thereto), whether or not self-propelled, (1) not subject to motor vehicle registration, or (2) maintained for use exclusively on premises owned by or rented to you, including the ways immediately adjoining, or (3) designed for use principally off public roads, or (4) designed or maintained for the sole purpose of affording mobility to equipment of the following types forming an integral part of or permanently attached to such vehicle;

power cranes, shovels, loaders, diggers and drills; concrete mixers (other than the mix-in-transit type); graders, scrapers, rollers and other road construction or repair equipment, air-compressors, pumps and generators, including spraying, welding and building cleaning equipment; and geophysical exploration and well servicing equipment.

3. Paragraph (4) of Exclusion g. of B - EXCLUSIONS is replaced by the following:

(4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft, watercraft or "autos;" or

4. Paragraph (5) of Exclusion g. of B - EXCLUSIONS does not apply.

5. The following is added to WHO IS AN INSURED:

(4) With respect to watercraft that you do not own that is less than 26 feet long and is not being used to carry persons or property for a charge, any person is an insured while operating such watercraft with your permission.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7117
(Ed. 1-89)

NEW JERSEY CHANGES - BUSINESS LIABILITY COVERAGE

The following amends Section II - Business Owners Liability Coverage.

Section D. Liability and Medical Expenses Limits of Liability is replaced by the following:

D. LIABILITY AND MEDICAL EXPENSES LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
 - a. Insureds;
 - b. Claims made or "suits" brought; or
 - c. Persons or organizations making claims or bringing "suits."
2. The most we will pay for the sum of all damages because of all:
 - a. "Bodily injury," "property damage" and medical expenses arising out of any one "occurrence;" and
 - b. "Personal injury" and "advertising injury" sustained by any one person or organization;

is the Business Liability and Medical Expenses limit shown in the Declarations. But the most we

will pay for all medical expenses because of "bodily injury" sustained by any one person is the Medical Expenses limit shown in the Declarations.

3. The most we will pay under Business Liability Coverage for damages because of "property damage" to premises rented to you arising out of any one fire or explosion is the Fire Legal Liability limit shown in the Declarations.
4. **Aggregate Limits: Products-Completed Operations Aggregate Limit**

The most we will pay for injury or damage under the "products completed operations hazard arising from all "occurrences" during the policy period is twice the Liability and Medical Expenses limit.

The limits of this policy apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY**

**BO-7233
(Ed. 1-93)**

EMPLOYMENT - RELATED PRACTICES EXCLUSION

The following exclusion is added to Section B. EXCLUSIONS of the Business Owners Liability Coverage Form:

This insurance does not apply to "bodily injury" or "personal injury" arising out of any:

- a. Refusal to employ;
- b. Termination of employment;
- c. Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omissions; or

- d. Consequential "bodily injury" or "personal injury" as a result of a. through c. above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation to share damages with or to repay someone else who must pay damages because of the injury.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS' BUSINESS OWNERS POLICY**

**BO-7302
(Ed. 1-95)**

AMENDMENT - LEASED WORKERS

The following definitions are added to **LIABILITY AND MEDICAL EXPENSES DEFINITIONS**:

"Employee" includes a "leased worker." "Employee" does not include a "temporary worker."

"Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."

"Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY**

**BO-7314
(Ed. 8-96)**

AMENDMENT SECTION II - WHO IS AN INSURED

Section II - WHO IS AN INSURED is replaced by the following:

1. If you are designated in the Declarations as:
 - a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
 - b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
 - c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
 - d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your executive officers and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
 2. Each of the following is also an insured:
 - a. Your employees, other than either your executive officers (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these employees is an insured for:
 - (1) "Bodily injury" or "personal injury":
 - (a) To you, to your partners or members (if you are a partnership or a joint venture), to your members (if you are a limited liability company), or to a co-employee while that co-employee is either in the course of his or her employment or performing duties related to the conduct of your business;
 - (b) Arising out of his or her providing or failing to provide professional health care services. However, if you have employees who are pharmacists in your retail druggist or drugstore operations, they are insureds with respect to their providing or failing to provide professional health care services.
 - (2) "Property damage" to property:
 - (a) Owned, occupied or used by;
 - (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by you, any of your employees, any partner or member (if you are a partnership or joint venture) or any member (if you are a limited liability company).
 - b. Any person (other than your employee), or any organization while acting as your real estate manager.
 - c. Any person or organization having proper temporary custody of your property if you die, but only:
 - (1) With respect to liability arising out of the maintenance or use of that property; and
 - (2) Until your legal representative has been appointed.
 - d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Policy.
 3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:
 - a. "Bodily injury" to a co-employee of the person driving the equipment; or
 - b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.
- No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

This endorsement modifies insurance provided under the following:

CONTRACTORS BUSINESS OWNERS POLICY

**BO-7328
(Ed. 7-96)**

EXCLUSION - SNOW AND ICE REMOVAL

This insurance does not apply to "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of your snow and ice removal activities which are performed for others.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY**

**BO-7376
(Ed. 10-98)**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NEW JERSEY CHANGES - LEAD CONTAMINATION LIABILITY

The following is added to **SECTION II - LIABILITY COVERAGE**

COVERAGE - LEAD CONTAMINATION

1. Insuring Agreement.

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" arising out of the ingestion, inhalation or absorption of lead in any form. We have the right and duty to defend any "suit" seeking these damages. We may at our discretion investigate any "occurrence" and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION D) as modified by this endorsement; and

(2) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgements or settlements incurred by us.

No other obligation or liability to pay sums or perform acts or services is covered under this policy unless explicitly provided for under COVERAGE EXTENSIONS - SUPPLEMENTARY PAYMENTS.

b. This insurance applies to "bodily injury" only if:

(1) The "bodily injury" is caused by an "occurrence" that takes place in the "coverage territory;" and

(2) The "bodily injury" occurs during the policy period.

2. Exclusions.

This insurance does not apply to:

a. "Bodily injury" expected or intended from the standpoint of the insured.

b. "Bodily injury" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement.

c. Any obligation of the insured under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

d. "Bodily injury" to:

- (1) An employee of the insured arising out of and in the course of employment by the insured; or
- (2) The spouse, child, parent, brother or sister of that employee as a consequence of (1) above.

This exclusion applies:

- (1) Whether the insured may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

e. Any loss, cost or expense arising out of any:

- (1) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of lead; or
- (2) Claim or suit by or on behalf of a government authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of lead.

The following is added to **LIMITS OF INSURANCE**:

- 4. The most we will pay for "bodily injury" resulting from the ingestion, inhalation, or absorption of lead in any form (Coverage - Lead Contamination) is \$50,000 for any one "occurrence."

The most we will pay for all "occurrences" during the policy period under Coverage - Lead Contamination is \$50,000.

This endorsement modifies insurance provided under the following:

**BASIC BUSINESS OWNERS POLICY
DELUXE BUSINESS OWNERS POLICY
CONTRACTOR'S BUSINESS OWNERS POLICY
SPECIAL BUSINESS OWNERS POLICY**

**BO-7437
(Ed. 12-02)**

**NUCLEAR, BIOLOGICAL OR CHEMICAL TERRORISM EXCLUSION
(OTHER THAN CERTIFIED ACTS OF TERRORISM);
CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**

The following provisions are added to **Section II – Liability Coverage**:

A. The following exclusion is added:

This insurance does not apply to:

TERRORISM

"Any injury or damage" arising, directly or indirectly, out of an "other act of terrorism" that is not a "certified act of terrorism". However, this exclusion applies only when one or more of the following are attributed to such act:

1. The terrorism involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
2. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
3. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

B. The following definitions are added:

1. For the purposes of this endorsement, "any injury or damage" means any injury or damage covered under any policy to which this endorsement is applicable, and includes but is not limited to "bodily injury", "property damage", "personal injury", or "advertising injury" as may be defined in any applicable policy.

2. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The federal Terrorism Risk Insurance Act of 2002 sets forth the following criteria for a "certified act of terrorism":

- a. The act resulted in aggregate losses in excess of \$5 million; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

3. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified act of terrorism" when such act resulted in aggregate losses of \$5 million or less. Multiple incidents of an "other act of terrorism" which occur within a seventy-two hour period and appear to be carried out in concert or to have a related purpose or common leadership shall be considered to be one incident.
- C. In the event of an "other act of terrorism" that is not subject to this exclusion, coverage does not apply to any loss or damage that is otherwise excluded under this policy.
- D. With respect to any one or more "certified acts of terrorism", we will not pay any amounts for which we are not responsible under the terms of the federal Terrorism Risk Insurance Act of 2002 (including subsequent acts of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

This endorsement modifies insurance provided under the following:

**BASIC BUSINESS OWNERS POLICY
DELUXE BUSINESS OWNERS POLICY
CONTRACTOR'S BUSINESS OWNERS POLICY
SPECIAL BUSINESS OWNERS POLICY**

**BO-7438
(Ed. 11-02)**

EXCLUSION OF PUNITIVE DAMAGES RELATED TO A CERTIFIED ACT OF TERRORISM

The following provisions are added to **Section II – Liability Coverage**:

A. The following exclusion is added:

This insurance does not apply to:

TERRORISM PUNITIVE DAMAGES

Damages arising, directly or indirectly, out of a "certified act of terrorism" that are awarded as punitive damages.

B. The following definition is added:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The federal Terrorism Risk Insurance Act of 2002 sets forth the following criteria for a "certified act of terrorism":

1. The act resulted in aggregate losses in excess of \$5 million; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

This endorsement modifies insurance provided by the following:

**CONTRACTORS BUSINESS OWNERS POLICY
COMMERCIAL GENERAL LIABILITY COVERAGE PART**

**CG-7167
(Ed. 1-95)**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED ENDORSEMENT
CONSTRUCTION CONTRACTS**

WHO IS AN INSURED (Section II) is amended to include as an additional insured any general contractor, subcontractor or owner whom you are required to add as an additional insured on this policy under a written or oral construction contract or agreement where a certificate of insurance showing that person or organization as an additional insured has been issued and received by "us" prior to the date of loss. The written or oral contract or agreement must not be a lease agreement for equipment or property, and must be:

- (a) currently in effect or becoming effective during the term of this policy; and
- (b) executed prior to the "occurrence" resulting in "bodily injury," "property damage," "personal injury" or "advertising injury."

The insurance provided to the additional insured is limited as follows:

- (a) The additional insured is covered for its vicarious liability for the acts or omissions of the named insured which arise from the named insured's ongoing construction operations. The additional insured is not covered for liability due to its independent acts or for any supervision of "your work" or the work of any other person or organization; and
- (b) The limits of insurance applicable to the additional insured are those specified in the written contract or agreement or in the Declarations for this policy, whichever are less.

The insurance provided to the additional insured does not apply to "bodily injury," "property damage," "personal injury" or "advertising injury" arising out of an architect's, engineer's or surveyor's rendering of or failure to render any professional services including:

- (a) The preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, design or specifications; and
- (b) Supervisory, inspection or engineering services.

Any coverage provided hereunder shall be excess over other valid and collectible insurance available to the additional insured whether that other insurance is primary, excess, contingent or provided on any other basis.

This endorsement modifies insurance provided by the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART
and the
Business Liability Coverage Section of the
BUSINESS OWNERS POLICY and
CONTRACTORS BUSINESS OWNERS POLICY**

IL-7107
(Ed. 7-91)

VOLUNTARY PROPERTY DAMAGE ENDORSEMENT

A. INSURING AGREEMENT

We will pay, at your request, for "property damage" to the property of others provided:

1. Such "property damage" occurs while such property is in your care, custody or control, or property over which you are, for any purpose, exercising physical control; and
2. Such "property damage" arises out of "your work" away from premises owned by, rented to, or occupied by you; and
3. The property damage liability coverage of the policy, to which this endorsement is attached, would extend to "your work" causing such "property damage."

B. EXCLUSIONS

This insurance under this endorsement does not apply to "property damage:"

1. To personal property held by you for servicing, repair, storage or sale at premises owned by, rented to or occupied by you.
2. To personal and real property while being transported by or arising out of the ownership, maintenance, use, or entrustment to others of any "auto," watercraft or aircraft. Use includes operation and "loading or unloading."
3. To personal and real property owned by, rented to, or occupied by you.
4. To any property if the work out of which the damage arises was performed on your behalf by a subcontractor.
5. Included within the "explosion hazard," the "collapse hazard," or the "underground property damage hazard," unless such coverage is provided by the policy to which this endorsement is attached.

This exclusion does not apply to "property damage" included within the "products-completed operations hazard."

The following additional definitions apply:

"Explosion hazard" includes property damage arising out of blasting or explosion. The "explosion hazard" does not include "property damage" arising out of the explosion of air or steam vessels, piping under pressure, prime movers, machinery or power transmitting equipment.

"Collapse hazard" includes "structural property damage" and any resulting "property damage" to any other property at any time.

"Structural property damage" means the collapse of or structural injury to any building or structure due to:

- (a) grading of land, excavating, borrowing, filling, back-filling, tunnelling, pile driving, cofferdam work or caisson work; or
- (b) moving, shoring, underpinning, raising or demolition of any building or structure or removal or rebuilding of any structural support of that building or structure.

"Underground property damage hazard" includes "underground property damage" and any resulting "property damage" to any other property at any time.

"Underground property damage" means property damage to wires, conduits, pipes, mains, sewers, tanks, tunnels, any similar property, and any apparatus used with them beneath the surface of the ground or water, caused by and occurring during the use of mechanical equipment for the purpose of grading land, paving, excavating, drilling, borrowing, filling, back-filling or pile driving.

6. To "impaired" property or property that has not been physically injured, arising out of:

- (a) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or
- (b) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

C. CONDITIONS

1. Limits of Insurance - The limit of insurance is \$5,000 for each "occurrence," subject to \$25,000 annual aggregate. This is the most we will pay for damages under this endorsement regardless of the number of:

- (a) insureds;
- (b) claims made or "suits" brought; or
- (c) persons or organizations making claims or bringing "suits."

2. Deductible - Our obligation under this endorsement to pay damages on your behalf applies only to the amount of damages in excess of \$500. The deductible amount applies to all damages because of "property damage" as the result of any one "occurrence" regardless of the number of persons or organizations who sustain damages because of that "occurrence."

The terms of this insurance, including those with respect to:

- (a) our right and duty to defend any "suits" seeking those damages; and
- (b) your duties in the event of any "occurrence," claim or suit

apply irrespective of the application of the deductible amount.

We may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

3. Settlement - In the event of loss covered by this endorsement, you shall, if requested by us, replace the property or furnish the labor and materials necessary for repairs thereto at actual cost to you, excluding prospective profit or overhead charges of any nature. Any property so paid for or replaced shall, at our option, become our property. Payment hereunder shall not constitute an admission of your liability or, except as stated herein, of ours.

4. Other Insurance - This insurance is excess over any valid and collectible property insurance (except any deductible portion thereof) available to the insured, such as, but not limited to, Building Coverage, Personal Property Coverage, Builders' Risk Coverage, Installation Risk Coverage, or similar coverage. The Other Insurance Condition of this policy is amended accordingly.

All other Provisions and Conditions of the policy to which this endorsement is attached continue to apply.

PREMIUM AUDIT NOTICE

The following information is intended to explain the premium base on policies written "Subject to Audit."

An accurate Premium Audit is a benefit to you and your business. We recommend the person(s) in charge of keeping your financial records (e.g. Payroll; Gross Sales; Total Cost) be aware of insurance auditor needs. Records that are accurate and properly maintained allow us to complete the audit and to apply, when applicable, certain premium saving rules.

WHO WILL MAKE THE AUDIT?

A Premium Auditor will contact you for an appointment if our rules require a physical audit. If the necessary information can be obtained without a physical audit, we will send you the necessary forms for you to complete.

WHAT RECORDS WILL BE NEEDED?

The Premium Auditor will examine and audit all of your records that relate to your policy. The records needed will vary depending upon the type of coverage you have. In most cases, the auditor will be able to obtain the necessary audit data from two or more of the following records:

- Payroll Journals with monthly/quarterly totals
- Quarterly Tax Reports
- General Ledgers
- Individual Earning Cards with monthly/quarterly totals
- Certificates of Insurance for sub-contractors
- Vehicle descriptions (include purchase date and date sold)

In the course of the audit, the Auditor may ask some questions about your records and personally observe the various aspects of your business operations. This will assist the Auditor in properly classifying your operations and employees.

HOW SHOULD YOUR RECORDS BE KEPT?

Payroll: Many of the premiums for your insurance are based on payroll which is defined as total remuneration. Remuneration includes:

Wages	Vacation Pay
Commissions	Sick Pay
Bonuses	Payment for Piece Work
Overtime Pay	Other \$ Substitutes
Holiday Pay	

Overtime: The amount paid in excess of straight time can be deducted if the excess can be verified by your records. Your records must show overtime separately by employee and totaled monthly and quarterly. THIS IS NOT APPLICABLE IN PA (WC) or DE (WC).

Division of Payroll: Division of an individual employee's payroll to more than one classification is not allowed. Exception: For construction or erection operations, the payroll of an employee may be allocated to each type of work performed if proper records are kept. Payroll **cannot** be divided between construction and office or sales classifications.

Gross Sales: Another premium base for insurance is gross sales. Sales information must be kept separately for each location with monthly and quarterly totals by the type of product sold.

*****IMPORTANT*****

Subcontractors: Most state Workers Compensation laws will hold you responsible for injuries sustained by an employee of an uninsured subcontractor. You may also be responsible for the legal liability of your subcontractors. To protect yourself, be sure to secure a CERTIFICATE OF INSURANCE from each subcontractor for Workers Compensation and General Liability coverage. These certificates must be available to the auditor at time of audit.

If no evidence of insurance is available or if liability insurance is inadequate, the subcontractor's payroll must be added to your premium base. If a person is claimed to be a subcontractor, but they do not have their own employees and their duties closely resemble those of an employee of yours, that person may be considered an employee for audit purposes. "Adequate insurance" means the subcontractor carries liability insurance with coverage comparable to yours (e.g. premises/operations – products/completed operations) and limits of liability which are no less than \$500,000 CSL (\$500,000 BI/\$500,000 PD Split Limits) for the period of time work was performed for you. Any limit less than the above will be considered inadequate and a payroll charge will be included on your audit.

We recommend you bring any questions concerning your insurance to the attention of your Agent.



HARLEYSVILLE INSURANCE

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

In accordance with the Terrorism Risk Insurance Act of 2002 (the "Act"), you are hereby notified that you have insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act. Section 102(1) of the Act defines the term "act of terrorism" to mean any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Coverage under your policy may be affected as follows:

ANY IN-FORCE TERRORISM EXCLUSIONS FOR ACTS OF TERRORISM, AS DEFINED IN THE ACT, CONTAINED IN YOUR POLICY OR INCLUDED IN AN ENDORSEMENT ARE NULLIFIED AS OF NOVEMBER 26, 2002. Any terrorism exclusions for acts of terrorism not defined in Section 102(1) of the Act included in your policy or included in an endorsement are valid and apply to your policy.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY FOR LOSSES CAUSED BY ACTS OF TERRORISM, AS DEFINED IN THE ACT, IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90 PERCENT OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

THE ADDITIONAL PREMIUM FOR COVERAGE FOR LOSSES CAUSED BY ACTS OF TERRORISM, AS DEFINED IN THE ACT, IS WAIVED FOR THIS POLICY PERIOD.

**IMPORTANT NOTICE TO POLICYHOLDERS
EXCLUSION OF ACTS OF BIOLOGICAL OR CHEMICAL TERRORISM;
CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM;
COVERAGE FOR CERTAIN FIRE LOSSES**

This notice contains a brief description of an endorsement that has been added to your policy. This endorsement results in a reduction in coverage from your prior policy with us.

Please read your policy, and the endorsements attached to your policy, carefully.

We will not provide property coverage for loss or damage caused directly or indirectly by a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002.

This exclusion only applies when one or more of the following are attributed to such act:

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

If any act described above results in fire, there is coverage for direct loss or damage to covered property caused by that fire. Other loss or damage, such as loss of business income or extra expense, is not covered.

**IMPORTANT NOTICE TO POLICYHOLDERS
NUCLEAR, BIOLOGICAL OR CHEMICAL TERRORISM EXCLUSION
(OTHER THAN CERTIFIED ACTS OF TERRORISM);
CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**

This notice contains a brief description of an endorsement that has been added to your policy. This endorsement results in a reduction in coverage from your prior policy with us.

Please read your policy, and the endorsements attached to your policy, carefully.

We will not provide liability coverage for any injury or damage arising directly or indirectly out of a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002.

This exclusion only applies when one or more of the following are attributed to such act:

1. The terrorism involves the use, release or escape of nuclear materials, or directly or indirectly results in nuclear reaction or radiation or radioactive contamination; or
2. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
3. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials.

IMPORTANT NOTICE TO POLICYHOLDERS EXCLUSION OF PUNITIVE DAMAGES RELATED TO A CERTIFIED ACT OF TERRORISM

This notice contains a brief description of an endorsement that has been added to your policy. This endorsement changes the policy.

Please read your policy, and the endorsements attached to your policy, carefully.

This endorsement provides that liability coverage does not apply to damages arising, directly or indirectly, out of a "certified act of terrorism" that are awarded as punitive damages.

This exclusion is triggered when the Secretary of the Treasury certifies that an event meets the definition of a "certified act of terrorism". Some elements of the definition of "certified act of terrorism" include:

1. Aggregate property and casualty losses resulting from the act of terrorism must exceed \$5 million;
2. The act must be a violent one or dangerous to human life, property or infrastructure; and
3. The act must "... have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest..."

Punitive damages are damages that may be imposed to punish a wrongdoer and to deter others from similar conduct.

NEW JERSEY EARTHQUAKE INSURANCE AVAILABILITY NOTICE

All insureds and applicants are cautioned that commercial fire and extended coverage insurance policies do not provide coverage for earthquake damage.

The definition of an *earthquake*:

- Is a shaking or trembling of the earth that is geologic or tectonic in nature;
- Includes shock waves or tremors before, during or after a volcanic eruption; and
- Can also include after-shocks that occur within a seventy-two hour period following an *earthquake*.

A typical commercial fire and extended coverage insurance policy:

- **Does not** cover the cost to replace or repair your damaged dwelling, premises or structures, such as garages, resulting from an *earthquake*;
- **Does not** cover the cost to replace or repair the contents of your business if the damages result from an *earthquake*; and
- **Does not** pay for any additional business expenses if your property is badly damaged or destroyed by an *earthquake*.

***Earthquake* insurance is available through an endorsement to your policy for an additional premium. The decision to purchase earthquake insurance is one that should be carefully considered based on individual circumstances.**

Historically, an earthquake in New Jersey is a rare event, although the possibility exists that it could happen. Over the five-year period from 1997 to 2002, for every \$1 of earthquake insurance premium, 3/10 of one cent has been paid out for losses.

Please contact your agent if you have any questions or want additional information on how you can obtain *earthquake* insurance.

This notice is a general description of coverage and does not change, modify or invalidate any of the provisions, terms or conditions of your policy or endorsements.

New Reporting Options:

Direct Claims Reporting Saves You Time

1-800-892-8877

Call us to report a claim 24 hours a day – 7 days a week

While we hope you never suffer a loss, you can rest assured that your claim will get immediate and professional attention. With our 24-hour service, you can file your claims directly with us any time, including after normal business hours and holidays.

Whether your loss involves your home, your vehicle, your personal belongings, your boat, your business or glass breakage, just call 1-800-892-8877 to report the claim. Our courteous, professional staff will start all the necessary paperwork as soon as you call. We will ask you for essential information to help determine the extent of your loss, and within minutes, we can assign a claim number to your loss and advise you on the handling process.

Direct reporting benefits you directly

24-hour service

To make it easy for you to report your loss promptly, we're available every day of the year – day and night.

Immediate, personal assistance

With direct reporting, you will be immediately connected to a knowledgeable person who understands your situation.

You save time

When you phone in your claim, there's no need to complete a written report. We'll handle the paperwork for you.

Your satisfaction guaranteed

If your vehicle has been damaged, we can offer your participation in our Preferred Repair Program. If you choose one of the quality repair shops offered, you won't have to wait for an appraiser's inspection or for your check. Repairs are fully guaranteed and we pay for the repairs directly, but only after you tell us you're completely satisfied.

If your home or business has been damaged, we can offer you participation in our Approved Contractor Program. Not only will the quality contractor promptly prepare an estimate of damages for your review, but, at your option, will perform the repairs for the amount agreed upon in the estimate. These repairs are fully guaranteed for a period of one year.

A National Network of Regional Insurers

Great Oaks Insurance Company	Harleysville Mutual Insurance Company	Minnesota Fire and Casualty Company
Harleysville-Atlantic Insurance Company	Huron Insurance Company	New York Casualty Insurance Company
Harleysville-Garden State Insurance Company	Lake States Insurance Company	Pennland Insurance Company
Harleysville Insurance Company of New Jersey	Mainland Insurance Company	Worcester Insurance Company
Harleysville Life Insurance Company	Mid-America Insurance Company	

You get free mobile service for windshield repair

If you report a broken windshield or other auto glass damage, we'll arrange for one of our glass specialists to assess your vehicle. You may have the repairs or replacement performed at one of our hundreds of conveniently located glass shops or, if you prefer, our mobile service will come to your driveway, office parking lot, or any other place you designate to do the work on the spot. It couldn't be simpler and, except for any deductibles that may apply, there's no charge to you.

We'll help you prevent further damage

Whether you've suffered a loss to your vehicle, home, business or boat, we can advise you of the proper steps to minimize your loss and protect your property from further damage.

We'll assure quality medical care

If you're reporting a workers compensation claim, our early intervention program helps ensure that your employee is treated by a physician committed to quality care and to getting your employee back to work as soon as possible.

TO HELP YOU KEEP OUR CLAIMS NUMBERS WITHIN EASY REACH, WE'VE ENCLOSED TWO WALLET CARDS AND TWO STICKERS FOR YOUR IMMEDIATE USE. (SIMPLY DETACH THE CARDS AND PEEL OFF THE LABELS.)

REC'D DOC 60

Direct Claims Reporting:

1-800-892-8877

24 hours a day, 7 days a week

APR 05 2005

or

**If you do not wish to utilize our Direct Claims Reporting,
you may call your professional independent agent.**

**Harleysville**

Northeast Claims Service Center
120 Front Street, Suite 400
Worcester, MA 01608-1408

(888) 560-9876 ext. 8662 Fax (508) 751-8117
krichard4@harleysvillegroup.com

March 3, 2004

PARTIAL COVERAGE DISCLAIMER

W. Patrick Quast, Esq.
The Skyor Building
164 Franklin Turnpike
Waldwick, NJ 07463

Re:	Our Insured:	Bartec Industries, Inc.
	Date of Loss:	Unknown
	Claim No.:	M0478641
	Claimant:	Crocetti, Inc.

Dear Mr. Quast:

Harleysville Insurance Company of New Jersey issued a contractor's business owners insurance policy to Bartec Industries (hereinafter "Bartec").

Crocetti, Inc. filed a Cross-Claim against Bartec for priority of its mechanic's line and for negligent workmanship. You also provided a complaint filed by R&J Construction for priority of its mechanic's lien. The Crocetti Cross-Claim was submitted to Harleysville for defense and indemnification. It is not clear whether you want Harleysville to defend the R&J Complaint as well. As such, Harleysville will treat the forwarding of the R&J Complaint as Bartec's tender for defense and indemnification.

INSURING AGREEMENT

Harleysville's policy (policy number CB8E8397) covered the May 26, 2002-May 26, 2003 policy term.

According to the insuring agreement, Harleysville agrees to:

"pay those sums that the insured becomes legally obligated to pay as damages because of 'bodily injury', 'property damage', 'personal injury' and 'advertising injury' to which this insurance applies."

1. "Bodily injury" is defined as:

"bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time."

March 3, 2004

Page 3 of 4

n. 'Property damage' to 'impaired property' or property that has not been physically injured, arising out of:

(1) A defect deficiency, inadequacy or dangerous condition in 'your product' or 'your work...."

"Your work" is defined as "work or operations performed by you or on your behalf, and materials, parts or equipment furnished in connection with such work or operations."

The "products-completed operations hazard" is defined as "all 'bodily injury' and 'property damage' arising out of 'your product' or 'your work' except

- (1) Products that are still in your physical possession; or
- (2) Work that has not yet been completed or abandoned."

"Impaired property" is defined as tangible property, other than 'your product' or 'your work' that cannot be used or is less useful because:

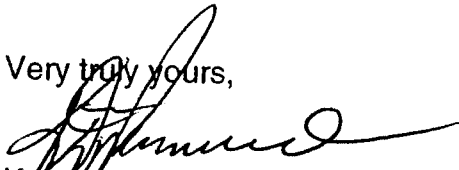
- a. It incorporates 'your product' or 'your work,' that is known or thought to be defective, deficient, inadequate or dangerous...."

Bartec contracted to install Conflow, a floor leveling material. Crocetti contends that the Conflow was either defective, was improper for the use intended or was installed in a substandard manner. Harleysville will not indemnify Bartec for replacement of any portion of the Conflow installed by it, as Bartec's work product is excluded from coverage (exclusion "m"). Additionally, Harleysville will not indemnify Bartec for any damage sustained within the sub floor material under the Conflow (exclusion "n").

Bartec's defense is triggered by the negligent workmanship claim contained within Crocetti's cross-claim. As such, Harleysville will indemnify Bartec for any damage to the terrazzo floor that is caused by Bartec's alleged substandard workmanship. As you know, Bartec's defense is assigned to Joe Redd of O'Connor, Redd, Gollihue & Sklarin. He may be contacted at 914/686-1700.

Please contact me with any questions.

Very truly yours,



Kenneth D. Richard, Esq.
Litigation Specialist

Cc: Wharton/Atlantic and Torre, Lentz Gamell, Gary & Rittmaster, LLP

March 3, 2004

Page 4 of 4

SENT VIA CERTIFIED MAIL WITH RECEIPT NUMBER
70032260000551757583

Should you wish to take this matter up with the New York State Insurance Department, you may write or visit the Consumer Services Bureau, New York State Insurance Department at: Agency Building One, Gov. Nelson Rockefeller Empire State Plaza, Albany, NY 12257 or 220 Delaware Avenue, Suite 229, Buffalo, NY 14202.

State law requires us to include the following statement-Any person who knowingly and with intent to defraud any insurance company or other person files an application of insurance containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, and any person who knowingly makes or knowingly assists, abets, solicits, or conspires with another to make a false report of the theft, destruction, damage or conversion of any motor vehicle to a law enforcement agency, the department of motor vehicles or an insurance company commits fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the value of the subject motor vehicle or stated claim for each violation.